MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DTX5014 – TAXATION 1

(All Sections/Groups)

19 OCTOBER 2019
9.00 a.m - 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 14 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Mr Nicholas, a Korean citizen, was employed as an engineer by Jacker Malaysia Sdn Bhd for a smart machine project. He arrived in Malaysia for the first time on 1 January 2012 and his contract with the company began on 1 January 2012 and ended on 5 February 2019. The details of his stay in Malaysia are as follows:

Year	Periods of stay	Note
2012	1 January to 31 March	
	16 April to 15 July	
2013	1 December to 31 December	
2014	1 January to 31 March	
	1 April to 14 April	Social visit to Fukuoka
	17 April to 17 July	
2015	1 May to 10 June	
	1 July to 31 July	
	1 September to 20 September	
2016	1 January to 10 April	
	11 April to 30 June	Outside Malaysia
	1 July to 21 October	
2018	1 January to 31 March	
2019	1 January to 31 January	Business trip to Amsterdam
	1 February to 5 February	

Required

(a) Determine the residence status of Mr Nicholas for the years of assessment 2012 to 2019. Give reasons and quote the relevant provisions of the Income Tax Act 1967 to support your answer. (13 marks)

(b) Being a tax resident will allow a 'person' to enjoy tax benefits in Malaysia. Describe the use of residence status and explain how it is determined. (3 marks)

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Part B

"In Malaysia, the law governing income taxation is the Income Tax Act 1967. A transaction must fall within the ambit of 'scope of charge' as provided in Section 3 of the Act in order to be liable to income tax". (Choong, 2019, p.1)

Required

(a) What is the scope of charge to income tax in Malaysia for an individual taxpayer? (3 marks)

(b) List **THREE** (3) differences between income and capital transaction. (6 marks)

(Total: 25 marks)

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QUESTION 2

Part A

Zainuddin was appointed as a retail manager of Remis Bhd in Johor Bahru since 1 February 2010. Remis Bhd restructured its business operation in 2018 and Zainuddin was retrenched on 30 June 2018 due to personal issues. He was paid compensation for loss of employment of RM200,000.

Details of his remuneration for 2018 are as follows:

a) Net salary of RM9,300 per month after deducting EPF at the rate of 11%.

b) Bonus equivalent to one-month salary.

c) Zainuddin's monthly travelling and entertainment allowances for official duties were RM2,250 and RM2,700 respectively.

d) A fully furnished luxury apartment was provided to Zainuddin until 30 June 2018. The luxury apartment rental paid by the employer was RM1,500 per month (exclude furniture).

e) A brand new Toyota Camry costing RM180,000 and a driver were provided to Zainuddin since his first day with the company until 30 June 2018.

f) A servant was provided to Zainuddin until 30 June 2018. She was paid each paid RM1,000 per month by Remis Bhd.

g) Zainuddin and his wife went for a vacation in Santorini, Greece and Langkawi in May 2018. The following expenses were paid by Remis Bhd:

   i. Santorini, Greece:

      a. Airfare----------RM15,000

      b. Hotel----------RM9,500

      c. Meals----------RM2,000

   ii. Langkawi:

      a. Airfare----------RM3,500

      b. Hotel----------RM2,500

      c. Meas----------RM2,000

h) Zainuddin incurred entertainment expenses of RM8,200 and travelling expenses of RM10,000 in carrying out his official duties.

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On 1 July 2018, he joined his family's company as a non-service director of controlled company. Below are the income and benefits he received during the year 2018:

a) Monthly director fees of RM15,000.
b) Corporate membership to the Royal Golf Club, both entrance fee of RM3,450 and monthly subscription fee of RM500 were paid by the company.
c) Medical and dental expenses for Zainuddin and his family for the year 2018 was RM2,600.
d) Tuition fees of RM5,000 was paid by the company for his son's education in private college.
e) The company provided him a fully furnished bungalow with a monthly rental value of RM3,600, inclusive of RM750 for monthly furniture rental, effective from 1 July 2018.
f) Reimbursement of monthly salary for the domestic servant employed by Zainuddin amounted to RM800.
g) A gardener with a salary of RM700 per month was paid by the company.

Required

(a) Compute the statutory income from employment of Encik Zainuddin for the year of assessment 2018. Round up your answer to the nearest Ringgit Malaysia (RM).

(15 marks)

(b) Define what is employment, employee and employer. (3 marks)

Part B

West Star Sdn Bhd commenced its business on 1 May 2012 and its first set of accounts was prepared to 31 August 2012. However, on 1 October 2012, the company decided to change the accounting date to 31 January.

In January 2016, West Star Sdn Bhd became the subsidiary of North Pole Bhd and changed its accounting date to 30 June to conform to the group's accounting date.

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The adjusted income/(loss) for the respective accounting periods are as follows:

Accounting period	**Adjusted income/(loss)**
1.5.2012 - 31.8.2012	RM(40,000)
1.9.2012 - 31.8.2013	(120,000)
1.9.2013 - 31.1.2015	366,000
1.2.2015 - 31.1.2016	230,600
1.2.2016- 30.6.2017	160,000
1.7.2017- 30.6.2018	202,800

Required

Determine the basis period and compute the adjusted income/(loss) of West Star Sdn Bhd for all the relevant years of assessment from 2012 to 2018. (7 marks)

(Total: 25 marks)

Continued...

QUESTION 3

Part A

DYZ Development Sdn Bhd has a few properties in Klang Valley. They provided the following information regarding its residential properties for the year ended 31 December 2018.

	RM	RM
1) Shoplot, Bangi		
Receipts:		
Rental: January 2018 – March 2018		15,000
April 2018 – May 2018		Vacant
June 2018 – May 2019		60,000
Deposit (refundable)		10,000
Deposit for electricity and water		5,000
		90,000
Payments:		
Deposit refunded to ex-tenant	5,000	
Assessment	4,820	
Quit Rent	500	
Repairs (carried out in May 2018):		
- Repainting	3,000	
- Renovation on hall	19,090	
- Replacement of broken windows	3,010	
- Installation of air-conditioning unit	4,500	(39,920)
Excess of receipts over payments		50,080
2) Condominium, Shah Alam		
Receipts:		
Rental: Apr 2018 – Dec 2018		21,000
Deposit (refundable)		3,000
Deposit for electricity and water		3,000
		27,000

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Payments:		
Assessment	1,400	
Quit Rent	215	
Loan (including annual interest of RM27,900)	70,000	
Penalty for late payment of quit rent	100	
Legal fees for tenancy agreement	2,000	
		(73,715)
Excess of receipts over payments		(46,715)

Property No.2 was acquired in December 2016 and was first rented out on 1 April 2018.

Required

Based on the above information, calculate the aggregate income of DYZ Development Sdn Bhd for the year of assessment 2018. (12 marks)

Part B

(a) Mr Brendon is a citizen of Australia but he is a resident in Malaysia for tax purposes in the basis year 2018. The following are his sources of income:

(i) Royalty of RM30,000 for writing a book (approved by the Ministry of Education) paid by a resident publisher.

(ii) Dividend of RM8,000 derived from Australia and remitted to Malaysia.

(iii) Rental income of RM10,000 on a property in Malaysia, rented to his Australian colleague and the payment is credited into his bank account in Australia.

Required

State, with reasons, whether or not the above sources of income are chargeable to Malaysian tax. (6 marks)

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(b) Encik Raju, a resident in Malaysia, is a freelance writer of articles for the Malaysian newspapers and author of several books. During the year 2018, he also translated a literary work at the specific request of the Attorney General's Chambers.

His income from royalties and expenditure for the year ended 31 December 2018 is as follows:

	RM
Income:	
Translation of literary works	24,000
From books written in that year	140,000
Expenditure:	
Editing and proof reading	9,000
Typing expenses	12,000
Stationery cost	4,000

Required

Compute for Encik Raju, his adjusted income from royalties for the year assessment 2018.

(7 marks)

(Total: 25 marks)

Continued...

QUESTION 4

Encik Daniel and Puan Ariana were married 25 years ago. They have four children and live in their fully furnished bungalow in Mont Kiara, Damansara. Both of them are working in the same company, Syarikat Metamorphosis Sdn Bhd.

The details of their income details in year 2018 are as follows:

	Encik Daniel (RM)	**Puan Ariana (RM)**
Salary	67,200	52,000
Monthly tax deduction (MTD)	1,000	150

Additional information:

a) Part time job and children information:

i) Encik Daniel is working part time as a host and received RM30,000 for the year of assessment 2018

ii) They have four children and all of them are not married.
- First child: Studying in Universiti Malaya (Kuala Lumpur).
- Second child: Studying abroad in Harvard University (USA)
- Third child: Studying in Sekolah Alam Shah (secondary school)
- Fourth child: Studying in Sekolah Kebangsaan Damansara (primary school). The child is physically disabled.

iii) Puan Ariana claimed the child relief for the third and fourth child.

b) Expenditure incurred by Encik Daniel and his wife are as follows:

	Encik Daniel (RM)	**Puan Ariana (RM)**
EPF	10,032	4,620
Medical expenses (father)	5,320	-
Full medical checkup	520	450
Sports equipment	770	-
Internet subscription	1,000	500
Books and magazines	-	2,400
Life insurance premium	2,480	1,260

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Education insurance	2,400	-
Own education fees, doctorate	5,950	-
Zakat	4,000	-
Approved donation	-	5,000

Required

(a) Compute the income tax payable by Encik Daniel and Puan Ariana under separate assessment for the year of assessment 2018. (14 marks)

(b) Compute the income tax payable for year of assessment 2018 for Encik Daniel and Puan Ariana under joint assessment. The wife has elected for joint assessment. (9 marks)

(c) Comment on which method of assesment is the best for Encik Daniel and his wife. (2 marks)

(Total: 25 marks)

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2018:

(i) Resident company — Paid up capital >2.5m: 24%
Paid up capital <2.5m:
First 500,000: 18%
Next 500,000: 24%

(ii) Non-resident company — 24%

(iii) Non-resident individual — 28%

(iv) Resident individuals:

Chargeable Income (RM)		Rate %	Tax payable (RM)
On the first	2,500	0	0
On the next	2,500	0	0
On the first	5,000		0
On the next	5,000	1	50
On the first	10,000		50
On the next	10,000	1	100
On the first	20,000		150
On the next	15,000	3	450
On the first	35,000		600
On the next	15,000	8	1,200
On the first	50,000		1,800
On the next	20,000	14	2,800
On the first	70,000		4,600
On the next	30,000	21	6,300
On the first	100,000		10,900
On the next	50,000	24	12,000
On the first	150,000		22,900
On the next	100,000	24	24,000
On the first	250,000		46,900
On the next	150,000	24.5	36,750
On the first	400,000		83,650
On the next	200,000	25	50,000
On the first	600,000		133,650
On the next	400,000	26	104,000
On the first	**1,000,000**	28	**237,650**
Excess			

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(b) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(c) Prescribed value of household furnishing, apparatus and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM840 (RM 70 per month)
(b)	Semi-furnished with furniture as above and one or more of the following:- air-conditioners, curtains and carpets.	RM1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM 280 per month)
(d)	Service charges and other bills such as water and electricity and telephone	Service charge and bills paid by the employer

(d) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Corporate recreational club membership	Membership subscription paid by employer
(b)	Gardener	3,600 per person (300 per month)
(c)	Driver	7,200 per person (600 per month)
(d)	Household servant	4,800 per servant (400 per month)

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(d) Relief for year assessment 2018:

	PERSONAL RELIEF FOR YA 2018	**RM**	
1	Taxpayer	9,000	
2	Disable taxpayer (additional relief)	6,000	
3	Wife relief (claimed by husband) : Wife elects joint assessment or no source of income : Wife disabled (additional relief)	 4,000 3,500	
4	Husband relief (claimed by husband) : Husband elects joint assessment or no source of income : Husband disabled (additional relief)	4,000 3,500	
5	Medical expenses for taxpayer's parents (restricted to)	5,000	
6	Parental care • Father • Mother (Age > 60 years old, annual income ≤RM2,400)	 1,500 1,500	
7	Medical expenses for taxpayer, spouse and children on serious disease (including RM500 medical examination)	6,000	With receipts
8	Supporting equipment for disabled taxpayer spouse, children or parents	6,000	
9	Child relief (claimed by husband or wife) • Per child (below 18 years old) • Per child (over 18 years old) - Universities or college • Disabled child (unmarried) • Disabled child (over 18 years old) - Universities or college	 2,000 8,000 6,000 14,000	
10	Amount deposited into Skim Simpanan Pendidikan National (SSPN) for child (restricted to)	6,000	
11	EPF or approved fund (contributed by employee) and life insurance premium (restricted to)	6,000	
12	Premium on deferred annuity contract and private retirement scheme	3,000	
13	Insurance premium for education/medical (restricted to)	3,000	
14	Employee's contribution to Social Security Organisation (SOCSO) Scheme	250	
15	Education fees paid by taxpayer for his own improvement in relation to law and accounting, Islamic finance, industrial, scientific or technological skills or postgraduates studies (Master, PhD) in Malaysia	7,000	

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16	Lifestyle expenses for taxpayer, spouse and children -purchase reading materials -purchase sports equipment -purchase computer, smartphone/tablet -internet subscription -gym membership fee	2,500	
17	Breastfeeding equipment (child age $\leq$2 years old)	1,000	
18	Fees paid to childcare centre &kindergarten	1,000	

End of Paper